

Message Text

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TAGS: EAIR, CA

SUBJ: CIVAIR: COMMISSIONS ON CHARTERS

1. BEGIN SUMMARY. PRESS HAS REPORTED COMMISSION PRICE WAR IN CANADA RE CHARGERS, ESPECIALLY INTERNATIONAL. REGULATORY AUTHORITY NOT CLEAR IN ITS MIND AS TO WHETHER THIS IS A PROBLEM AND, IF SO, WHAT ITS AUTHORITY TO DEAL WITH IT IS. END SUMMARY.

2. FOLLOWING IS TEXT OF ARTICLE ENTITLED "WAR WAGED BY FEES PAID ON CHARTERS", BY KEN ROMAIN, PUBLISHED IN THE TORONTO GLOBE AND MAIL, FEBRUARY 24:

BEGIN TEXT. A COMMISSION PRICE WAR AMONG NORTH ATLANTIC CHARTER OPERATORS IS UNDER WAY IN CANADA IN A COMPETITION TO GAIN PASSENGERS, ACCORDING TO DENNIS GILL, PRESIDENT OF SUNTOURS LTD., TORONTO.

HE SAID SOME CHARTER OPERATORS ARE PAYING COMMISSIONS AS HIGH AS 18 PER CENT, COMPARED WITH THE STANDARD 10 PER CENT, TO TRAVEL AGENTS TO DIRECT PASSENGERS TO THEIR CHARTER PROGRAMS. HE SUGGESTED THESE HIGHER COMMISSIONS SHOULD REALLY BE GOING TOWARD LOWER CHARTER FARES.

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THERE ARE NO GOVERNMENT REGULATIONS COVERING THE AMOUNT OF COMMISSION TO BE PAID TO AGENTS IN THE CHARTER MARKET.

THE REASON FOR THE INCENTIVE COMMISSION IS THE EXPECTED RISE IN THE NUMBER OF SEATS AVAILABLE FOR CHARTERS THIS YEAR AND WHETHER THERE WILL BE ENOUGH PASSENGERS TO FILL THEM.

MR. GILL SAID THE PASSENGER IS NOT BEING HURT AT PRESENT BY THE PRICE WAR BUT HE IS NOT BENEFITTING EITHER. IT IS THE AGENT SELLING THE CHARTER PROGRAM WHO IS GAINING. INSTEAD OF PAYING HIGHER COMMISSION RATES TO GAIN PASSENGERS, CHARTER OPERATORS (MANY OF WHICH ARE SUBSIDIARIES OF AIRLINES) SHOULD BE LOWERING THEIR CHARTER FARES TO GAIN PASSENGERS, BUT THIS IS NOT HAPPENING.

"WHAT IS HAPPENING IS THAT SOME OPERATORS ARE TRYING TO BUY UP THE MARKET," HE SAID.

THE PEAK SEASON ADVANCED BOOKING CHARTER FARE BETWEEN TORONTO AND LONDON THIS YEAR IS \$369, A RISE OF ABOUT 9 PER CENT OVER THE CORRESPONDING PERIOD LAST YEAR. SOME COMMISSION OVER-RIDES ARE AS MUCH AS \$27, MR. GILL SAID.

PRESENT REGULATIONS CALL FOR A CHARTER FLOOR PRICE TO BE SET BY CANADIAN CARRIERS BELOW WHICH A FOREIGN CARRIER CANNOT GO WITH ITS RATES, A 60- DAY ADVANCED BOOKING PERIOD AND A MINIMUM STAY OF 14 DAYS. MR. GILL SAID HIS COMPANY'S NORTH ATLANTIC CHARTER PROGRAM THIS YEAR BETWEEN CANADA AND BRITAIN WILL BE HANDLED MAINLY BY LAKER AIRWAYS LTD. OF BRITAIN. LAKER AIRWAYS CHAIRMAN FREDDIE LAKER SAID REGULATIONS COVERING CHARTERS BETWEEN CANADA AND BRITAIN ARE RESTRICTIVE AND COULD BE RELAXED.

HE SUGGESTED THE ADVANCED BOOKING PERIOD COULD BE REDUCED TO 30 DAYS, AS IS NOW BEING PLANNED IN THE UNITED STATES, AND THAT THE MINIMUM STAY BE REDUCED TO SEVEN DAYS. NEW U.S. REGULATIONS WILL NOT CALL FOR A MINIMUM FLOOR PRICE SO THAT DEMAND WILL SET FARES, HE SAID.

ACCORDING TO THE SUNTOUR PROGRAM, LAKER AIRWAYS WILL BE
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ABLE TO FLY A BRITISH CHARTER TRAVELLER FROM LONDON TO TORONTO DURING THE PEAK SEASON FOR \$40 LESS THAN THE AIRLINE CAN FLY A CANADIAN CHARTER TRAVELLER FROM TORONTO TO LONDON BECAUSE OF PRESENT CANADIAN FLOOR PRICES. MR. GILL SAID THAT BOTH SCHEDULED AND CHARTER AIRLINES ARE NOW COMPETING FOR EVERY AVAILABLE PASSENGER ON THE NORTH ATLANTIC, THE LARGEST AND POTENTIALLY MOST LUCRATIVE MARKET.

"THE RESULT IS THAT THIS YEAR THERE IS MORE CAPACITY THAN

EVER OVER THE NORTH ATLANTIC, YET THE PRICE IS HIGHER
THAN EVER - AND NOT ALL OF THESE INCREASES ARE CAUSED
BY THE COST OF AVIATION FUEL," MR. GILL SAID. END TEXT.

3. COMMENT: SUNTOURS IS CANADA'S LEADING TOUR OPERATOR.
AIR TRANSPORT COMMITTEE OFFICIALS ADVISED LEGAL SITUATION
IN CANADA RE CHARGER COMMISSION IS NOT AS CLEAR AS
GILL QUOTED AS INDICATING. ATC IN PAST HAS RESTRICTED
COMMISSIONS PAYABLE BUT WAS NOT CHALLENGED BY AFFECTED
PARTIES. FOR EXAMPLE, ENTITY AND AFFINITY CHARTER
COMMISSIONS WERE LIMITED TO FIVE PERCENT, AND NO
COMMISSIONS ARE ALLOWED ON ABC'S AND ITC'S. AT PRESENT
TIME, ATC IS ASKING CARRIERS VOLUNTARILY TO FILE REPORTS
ON COMMISSION LEVELS IN RELATION TO FARES AND CHARTERS.
REPORTS ARE STARTING TO COME IN, BUT NO INFORMATION
IS AVAILABLE RE UNIVERSALITY OF REPLIES. COMMITTEE
ITSELF HAS NOT DETERMINED WHAT IT WILL DO WITH THIS
INFORMATION AND THE EXTENT OF ITS JURISDICTION TO
REGULATE.
ENDERS

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